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E.O. 12958: DECL: 06/20/2016
TAGS: [PREL](#) [PGOV](#) [KPAL](#) [EAID](#) [EG](#) [IS](#)
SUBJECT: EGYPT: RESPONSE TO MESSAGE ON TEMPORARY
INTERNATIONAL MECHANISM FOR ASSISTANCE TO PALESTINIANS

REF: STATE 100475 (NOTAL)

Classified by ECPO Counselor John Desrocher for reasons 1.4
(b) and (d).

11. (C) Drawing from reftel background and talking points, Poloff delivered on June 20 USG views regarding the Temporary International Mechanism (TIM) for donor funding to the Palestinians to MFA Palestinian Affairs Office Director Randa Labib. Labib shared that Egyptian Foreign Minister Ahmed Aboul Gheit welcomed the finalization of the TIM, telling reporters following a June 18 meeting with his Jordanian counterpart that creation of the mechanism was "a good step forward" and something that "should be built upon." Labib said Aboul Gheit stated that Egypt would concentrate on how the mechanism works, and would work with the Quartet members to develop the mechanism. Labib, who had not yet seen the final version of the TIM, raised numerous questions about its contents, especially with respect to selection criteria and modalities for delivery of "basic needs allowances" to meet the needs of the "poorest segments of the population." She further questioned what Israel would do with the funds it was holding on behalf of the Palestinians from customs revenues it had collected, and asked whether the U.S. planned to contribute to the TIM.

12. (C) Also on June 20, poloff met separately with Arab League Secretariat Chief of Staff Hisham Youssef to review reftel demarche and explore AL thinking with respect to participation in the TIM. Youssef, referring to final copies of the TIM he had received from the EU and the Palestinians, listed four general areas where the League had questions. The TIM, he said, uses three different characterizations to discuss eligibility for Window III "allowances." Language on selection of international banks for payments to the Palestinians was another specific area where the League needed clarity. Youssef also sought clarity on language discussing "an agreed upon process of validation, certification, audit, and oversight" for TIM payments. In the last section of the TIM, Youssef highlighted League interest in understanding what was meant by a "technical study of modalities" being undertaken to put the TIM in place. Last, Youssef wondered if the USG would contribute to the TIM, and if so, how much.

13. (C) Asked about the League's plans for distribution of its accumulated funds intended for the Palestinian Authority, Youssef stated that the League was still exploring options, and would be helped greatly by additional clarification on details of the TIM. Youssef specifically did not rule out use of the TIM by the AL, but stated that the League would "never agree" to paying benefits or salaries to only health care workers, for example, and not educators, transportation workers, or other government employees. The AL, he said in response to poloff's point about the importance of not paying salaries, is willing to pay salaries, provide humanitarian aid, and fund projects that are adequately transparent and

supervised. We can not, he added, support efforts to "make the government fail." As we have told you, he continued, we support paying salaries directly to individuals, we agree to have the Office of the President as our interlocutor, and agree to make any transfer of funds transparent and accountable. Israel, Youssef complained, withholds USD \$60 million of Palestinian customs revenues, but receives no pressure from Washington or the Quartet to release those funds.

¶4. (C) Poloff also spoke June 20 with Oliver Nette, the deputy at the European Commission Delegation, to determine whether the Delegation had received instructions to approach the GOE or Arab League on this issue. Nette said that the mission had received a copy of the finalized TIM but had no specific instructions to approach the Egyptians or the Arab League. Nevertheless, Nette believed the EC head of delegation would seek to discuss the issue with senior members of the GOE and Arab League soon.

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